



BILLING CODE: 4810-AM-P

BUREAU OF CONSUMER FINANCIAL PROTECTION

[Docket No. CFPB-2011-0037]

Request for Information Regarding Private Education Loans and Private Educational Lenders.

AGENCY: Bureau of Consumer Financial Protection.

ACTION: Notice and Request for Information.

SUMMARY: Section 1077 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank”) requires the Bureau of Consumer Financial Protection (“Bureau” or “CFPB”) and the Department of Education, in consultation with the Department of Justice and the Federal Trade Commission, to prepare a Report on Private Education Loans and Private Education Lenders. The Bureau seeks information on private education loans and related consumer financial products and services that are currently being offered to or used by students and their families for the financing of postsecondary education.

DATES: *Comment Due Date:* **[INSERT DATE 60 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER].**

ADDRESSES: You may submit comments, identified by Docket No. CFPB-2011-0037, by any of the following methods:

- <http://www.regulations.gov>. Follow the instructions for submitting comments.
- Email: CFPB_StudentsFedReg@cfpb.gov.

- Mail: Monica Jackson, Office of the Executive Secretary, Consumer Financial Protection Bureau, 1500 Pennsylvania Ave, NW, (Attn: 1801 L Street), Washington, DC 20220.
- Hand Delivery/Courier in Lieu of Mail: Monica Jackson, Office of the Executive Secretary, Consumer Financial Protection Bureau, 1700 G Street, NW, Washington, DC 20006.

Instructions: The CFPB encourages the early submission of comments. All submissions must include the document title and docket number. Please note the number of the question to which you are responding at the top of each response (respondents need not answer each question). In general, all comments received will be posted without change to <http://www.regulations.gov>. In addition, comments will be available for public inspection and copying at 1700 G Street, NW, Washington, DC 20006, on official business days between the hours of 10:00 AM and 5:00 PM Eastern Time. You can make an appointment to inspect the documents by telephoning 202-435-7275. All comments, including attachments and other supporting materials, will become part of the public record and subject to public disclosure. Sensitive personal information such as account numbers or Social Security numbers should not be included. Comments will not be edited to remove any identifying or contact information.

FOR FURTHER INFORMATION CONTACT: For general inquiries, submission process questions or any additional information, please call Monica Jackson at 202-435-7275.

SUPPLEMENTARY INFORMATION: In support of the study required under section

1077 of Dodd-Frank, the Bureau seeks information on private education loans and related consumer financial products and services that are currently being offered to or used by students and their families for the financing of postsecondary education. As used in Section 1077 of Dodd-Frank, “private education loans” refers to loans made by a school or by a financial institution to finance the cost of post-secondary education, but excluding loans guaranteed under Title IV of the Higher Education Act, commonly referred to as “federal” loans.¹

Section 1077 of Dodd-Frank requires the Bureau and the Department of Education, in consultation with the Department of Justice and the Federal Trade Commission, to prepare a Report on Private Education Loans and Private Education Lenders (“Report”).² Section 1077 mandates that the Report address a list of questions, some of which may best be answered with quantitative data. For those questions, the Bureau will initially utilize records already held by the Department of Education, information obtained directly from lenders (both for-profit and non-profit) and industry associations, and information already collected or otherwise available from other public and private sources. To supplement these data and to capture qualitative information that may help to answer the questions posed by Congress, this notice and request for information seeks input from all sources, both inside and outside of the financial services industry, including consumers, financial services providers, schools, organizations, and other members of the public regarding (a) issues concerning private education loans and

¹ Title IV loans are commonly referred to as “federal loans” and are often known as “Stafford Loans,” Perkins Loans,” and “PLUS and GradPLUS” loans in the current federal Direct Loan program guaranteed under Title IV of the Higher Education Act.

² For the purposes of this request for information, the terms “private education loans” and “private student loans” may be used interchangeably, as may the terms “private educational lenders” and “private student lenders.” Dodd-Frank defines “private education loans” by reference to section 140 of the Truth-in-Lending Act, 15 U.S.C. 1650.

lending, where existing quantitative data may be incomplete, and (b) qualitative issues where public input will add perspective that may improve the Report.

We refer the public to the questions posed by Congress in Section 1077 of Dodd-Frank at <http://go.usa.gov/XDr>. To assist the Bureau in responding to those questions, we seek public comment on the questions below. The Bureau is particularly interested in learning what information would help students make informed decisions about which financial services and products are right for them and what approaches would best assist recent graduates facing (or about to face) difficulty making private education loan payments. The questions are grouped into four broad categories, (a) scope and use of private education loans, (b) information and shopping for private education loans, (c) institutional loans, and (d) repayment. Please feel free to respond to all of the questions or only those that interest you, but please be sure to indicate in your comments which questions you are answering.

Scope and Use of Private Education Loans

1. In addition to private education loans, to what extent do students and their families rely on other forms of non-federal debt financing to pay for postsecondary education (e.g. tuition payment plans, student credit cards, parent or family credit cards, home equity lines of credit, etc.)?
2. For students who do not exhaust their federal loan options, including those that require the completion of a Free Application for Federal Student Aid (FAFSA), before turning to private education loans, what explains their choice of private loans?

Information and Shopping for Private Loans

3. From what sources do students and their families obtain information about private education loans and private lenders? What sources are most helpful and accurate?
 - a. How effective are the existing disclosures provided by private education lenders regarding the terms and conditions of the loans? Among other things, comments could address issues such as whether students and their families feel they adequately understand the terms and conditions of various financial products offered to finance their education goals.
4. What sources of information do students rely upon to gauge the appropriate amount of student debt when selecting a school or program? Do students rely on financial aid budgets provided by the school or on other sources to determine amounts needed to cover tuition and other expenses? Do they consider ability to repay in choosing amounts of debt to incur? If so, what resources are available to help them determine their ability to repay?

Institutional Loans

5. To what extent are students offered or solicited to take out private education loans made directly by the school they are attending? How do such programs compare to those offered by non-school private educational lenders (e.g., interest rates, ease of approval, underwriting criteria, repayment terms etc.)?
6. What types of schools most commonly offer their own private student loan programs? How do schools select the students they deem eligible for their loan programs (e.g., academic merit, financial need, recruitment, retention)? How are school loan programs funded?

Repayment

7. How well are the amount and timing of private education loan repayment terms understood (a) when borrowers take out the loan, (b) during school, (c) at graduation, and (d) when repayment begins? Among other things, comments could address individual experiences at each stage of a student's education, or reference existing studies or survey work concerning the percentage of students with different levels of understanding regarding their debt load at each stage of their education.
8. What are the best practices at school financial aid offices in providing students with information about students' future loan payments and ability to afford those payments? The Bureau is particularly interested in steps or programs schools voluntarily use to create or enhance students' awareness of their debt loads and ability to afford their loan payments, as well as any evidence concerning the impact of such initiatives.
9. How much does a student's debt load affect undergraduate field of study or career choices after graduation? To what extent do undergraduates' or recent graduates' debt loads affect their decision to attend graduate school or seek advanced professional degrees?
10. Are students adequately informed of their rights as borrowers on private education loans? What resources are students offered to protect their rights? Who directs them to resources that may help them protect their rights (e.g., friends, schools, lenders, particular websites, etc.)?

11. What financial education techniques and resources have empirically-demonstrated effectiveness in helping borrowers avoid default on private education loans? How prevalent are these techniques and resources? Among other things, the CFPB is particularly interested to learn,
- a. Which alternative repayment plans have proven most effective in keeping borrowers out of default and why?
 - b. Whether private lenders adopted repayment program modifications to respond to the high unemployment rate among recent graduates in the wake of the financial crisis?
 - c. Are there techniques that private education lenders should try to help reduce default?
 - d. Have private lenders developed rehabilitation programs for defaulted loans?

Dated: November 9, 2011

Meredith Fuchs

Chief of Staff, Consumer Financial Protection Bureau

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